

WHEN LOSERS BECOME LEAVERS:
REJECTION AND TURNOVER IN INTERNAL LABOR MARKETS

A Thesis

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ABSTRACT

This study explores when employees are more or less likely to voluntarily exit after having unsuccessfully applied for a new job within their organization. Although prior work suggests that employees react negatively to rejection, we propose that employees will react differently based on how their experience during the hiring process shapes their perceptions about their prospects for future internal mobility. Drawing on insights from the literatures on vacancy chains, social exchange, and expectancy violations, we argue that rejected internal candidates will use three sources of information from the hiring process in assessing their potential for future advancement: (1) whether the “winner” was an internal or external candidate, (2) how far they made it in the hiring process, and (3) how likely they were to be hired for the job. Using data on over 2,000 internal losers at a single organization, we find that rejected internal candidates are less likely to leave when the job is filled with another internal candidate, when they make it further in the hiring process before rejection, and when their expectations of being hired for the job are likely to be lower. The results highlight the importance of understanding how rejection shapes careers and mobility in contemporary internal labor markets.

BIOGRAPHICAL SKETCH

Kathryn Dlugos earned her Bachelor of Science degree in Psychology from The Pennsylvania State University in May of 2014. She entered the MS/PhD program in the School of Industrial and Labor Relations (ILR) in August of 2014 and is completing her third year in the Human Resource Studies department. Kathryn's research focuses on employees' careers and career development within their organizations. Specifically, she is interested in how employees move or attempt to move between jobs, how these actual and attempted moves influence employees' perceptions of future advancement within their companies, and what organizations can do to facilitate employees' development and mobility if employees are initially unsuccessful (i.e., are not selected) when applying for new jobs. She also studies the outcomes associated with the practices and programs organizations implement specifically to advance the careers of women and ethnic minority members, such as mentoring, sponsorship, and high-potential programs.

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INTRODUCTION

Contemporary internal labor markets (ILMs) look dramatically different than their traditional counterparts. Careers in traditional ILMs were centrally managed, and workers advanced along well-defined job ladders – attributes which largely shielded workers from having to openly compete for jobs (Jacoby, 2005). As firms have come to prioritize flexibility over stability, however, the structures supporting traditional ILMs have largely disappeared, and a notable consequence is increased competition for new job opportunities (Piore, 2002). The rapid adoption of job posting systems has aided this increase, as employers now place the onus on employees to seek out new internal opportunities absent defined paths for advancement while also routinely hiring externally at all levels of the organization (Cappelli & Keller, 2014; Royal & Althausen, 2003). An important but overlooked consequence of this increased competition is the creation of a substantial number of internal “losers,” or employees who apply for new jobs within their current firm but are not selected. Because rejection is now such a common feature of individuals’ careers, studying how internal rejection affects future mobility is important for more fully understanding those contemporary careers.

Though unsuccessful internal candidates have received limited scholarly attention (see Hausknecht, Day, & Thomas, 2004; Ford, Truxillo, & Bauer, 2009), an underlying theme in the current literature is that employees react negatively to an internal rejection. For example, unsuccessful internal candidates may experience decreases in job-related attitudes like commitment (e.g., Schwarzwald, Koslowsky, & Shalit, 1992) and increased perceptions of unfairness (e.g., Ambrose & Cropanzano, 2003; Robinson, 1996). More recent work, however,

hints that not all candidates may react similarly to being rejected for jobs. For example, Vough and Caza (2017) argue that employees who experience denied promotions reshape perceived career identities in ways that allow them to benefit from rejection. That employees may respond differently to rejection has important implications for how we think about mobility and careers and how organizations manage rejection. First, understanding why and how unsuccessful internal candidates respond to rejection has the potential to provide a more complete picture of contemporary ILMs, where market-oriented approaches to internal mobility have proliferated and rejection is frequent yet understudied. Second, studying differential responses to internal rejection may provide insight on employees' career trajectories within organizations following rejection, adding to the growing research on contemporary careers that has generally focused on outcomes following successful job moves (e.g., Bidwell & Mollick, 2015). Finally, internal candidates' responses to rejection can have significant consequences for organizations, particularly if different aspects of rejection predict whether they are more or less likely to leave. Not all rejected candidates are low performers that organizations want to dismiss, and in instances where functional turnover does occur, the costs associated with recruiting, selecting, and training new employees are likely to be considerable.

We explore whether and why some internal candidates may be more or less likely to voluntarily exit the organization following a rejection. To do so, we conceptualize rejection as a source of information, building on recent theoretical and empirical work that suggests job candidates use rejection to inform subsequent career decisions (Brands & Fernandez-Mateo, 2016; Fernandez-Mateo & Coh, 2015; Vough & Caza, 2017). Specifically, we propose that unsuccessful internal candidates use three sources of information from the hiring process to assess their potential for future internal advancement: (1) whether the “winner” was an internal

or external candidate, (2) how far they progressed in the hiring process before rejection, and (3) how likely they were to be hired for the job. Though employees may also rely on other sources in assessing their future career opportunities, these three sources are likely to provide particularly salient information to rejected candidates about “where they stand” in the organization relative to other candidates and how this might impact their chances of future internal mobility. In the absence of perceived potential for future internal mobility opportunities, unsuccessful internal candidates are more likely to leave to pursue opportunities elsewhere. Drawing on insights from the literatures on vacancy chains, social exchange, and expectancy violations, we suggest that that rejected internal candidates will perceive *more* chance for future internal mobility and therefore be *less* likely to voluntarily exit firms if: (1) the job is filled with another internal candidate, (2) they make it further in the hiring process before rejection, and (3) their initial expectations of being hired for the job are lower.

Our hypotheses are largely supported through an analysis of more than 2,000 unsuccessful internal candidates who applied for a new job within a large U.S. health services organization in 2012. Rejected internal candidates are less likely to voluntarily exit the firm within a year if an internal rather than an external candidate is hired. They are also less likely to voluntarily exit if interviewed by the hiring manager – the final step in the hiring process – as opposed to being rejected earlier. Finally, unsuccessful internal candidates are less likely to leave when rejected for jobs for which they are likely to have lower expectations of being selected, including jobs that are less similar to their current job, jobs that represent advancements rather than lateral moves, jobs for which they do not match the incumbent gender profile, and more competitive job postings.

Together, our theory and findings provide three key contributions to our understanding of careers and career development within organizations. First, by suggesting that unsuccessful internal candidates use rejection as a source of information regarding their future internal mobility, our work complements and extends previous theoretical approaches that focus on rejected candidates' immediate reactions to rejection (i.e., Schaubroeck & Lam, 2004) and the narratives and stories they create about rejection (i.e., Vough & Caza, 2017). Second, we integrate three theories to explain *how* rejected internal candidates interpret the different information sources and either continue to build their careers in ILMs or choose to leave. Third, we employ a unique dataset that includes rich applicant and personnel records for each rejected internal candidate and the job postings they applied to, allowing us to track large-scale rejection within one organization.

THEORY AND HYPOTHESES

Rejection and Information in Contemporary ILMs

In order to clearly develop our theoretical arguments and hypotheses, it is useful to first explain why employees are likely to use rejection as a source of information and how this information influences their perceptions of future internal mobility.

Existing research highlights many of the negative outcomes associated with rejection for internal candidates, particularly when they are denied promotions. Many theoretical perspectives emphasize outcomes such as perceived unfairness and psychological contract violations (e.g., Ambrose & Cropanzano, 2003; Morrison & Robinson, 1997; Robinson, 1996), indicating that employees feel betrayed by their organizations when faced with rejection or feel that the organization has failed to fulfill its obligations. Other perspectives and findings show that employees' attitudes and behaviors are negatively altered following rejection, as they

experience decreases in satisfaction, commitment, and work engagement (Schwarzwald et al., 1992), increased feelings of envy and social comparison with those who were promoted (Duffy, Shaw, & Schaubroeck, 2008; Schaubroeck & Lam, 2004), and even increased counterproductive work behaviors such as property theft and negligence (Fine, Goldenberg, & Noam, 2016). Still others suggest that employees see rejection for promotions as a career “shock” that causes them to look for alternatives outside the organization (i.e., Holtom et al., 2005; Lee & Mitchell, 1994). Though different, these perspectives share the underlying assumption that all internal candidates respond negatively to rejection.

We argue, however, that internal candidates are likely to respond differentially to rejection. To build these arguments, we suggest that unsuccessful candidates use rejection as a source of information and interpret different aspects of rejection as positive or negative for their future mobility within organizations. Recent research suggests that candidates do in fact use rejection as a source of information when making decisions about the future. For example, Vough and Caza (2017) proposed that denied promotions initiate a sensemaking process from which employees try to understand why the denied promotion occurred and what its implications are moving forward in the organization, creating “stories” for themselves that may result in greater resilience and work engagement. Likewise, Fernandez-Mateo and colleagues showed that executive candidates use rejection in previous interactions to determine their engagement in future interactions with search firms (Brands & Fernandez-Mateo, 2016; Fernandez-Mateo & Coh, 2015). We similarly argue that rejected internal candidates interpret information sent by an organization’s hiring decisions to develop subjective inferences about employee career patterns (e.g., O’Mahony & Bechky, 2006), update their “cognitive maps” for future mobility, and assess whether there is a path for future internal mobility following a rejection.

The perspective that candidates use rejection as a source of information is especially relevant in contemporary ILMs where rejection is frequent and information about career paths can be difficult to come by. Research shows that over 95% of organizations use job posting systems to fill jobs (Taleo Research, 2005). With few restrictions as to who can apply for all jobs across the organization, job posting creates an internal market with increased competition and uncertainty. While organizations may provide explanations to unsuccessful internal candidates for why they were not selected (Pinfield, 1995), candidates may discount this information if they feel the organization is simply providing excuses or justifying the rejection (i.e., Shrauger & Schoeneman, 1979). As a result, rejected internal candidates likely interpret for themselves why they were not chosen and assess their potential for future internal mobility after asking themselves three questions: “*Who got hired?*”, “*How close was I to being hired?*”, and “*What were my expectations of being hired?*”.

Who Got Hired?

Previous work on rejection shows that candidates’ responses to being denied promotions may be affected by the attributes of the winner, such as perceived similarity of work experiences, job attitudes, and personality (i.e., Schaubroeck & Lam, 2004). We extend this research by considering an additional attribute of selected candidates: whether they are internal or external candidates. Despite evidence that external hires have lower initial performance and higher exit rates than internal movers (e.g., Bidwell, 2011), organizations increasingly rely on external hiring to fill jobs (Royal & Althauser, 2003). In fact, internal mobility now competes with external hiring for nearly all jobs within an organization (Bidwell & Keller, 2014), and job posting systems make it easier for organizations to recruit both internal and external candidates for these jobs. Theories of internal mobility and vacancy chains suggest that the ways in which

organizations choose to combine internal and external hiring provide particularly salient information to rejected internal candidates, especially regarding their potential for future internal mobility.

The literature on ILMs argues that opportunities for internal mobility act as an incentive to motivate workers (e.g., Chan, 1996). Motivation to compete in these mobility contests is particularly strong if employees believe they will be selected if they perform well, and they assess their likelihood of success in competitions by looking at past mobility outcomes for themselves and others in the organization (Chan, 1996, 2006; Bidwell & Keller, 2014). As internal employees gather and interpret information based on mobility outcomes for themselves and other internal candidates (i.e., O'Mahony & Bechky, 2006), they update their cognitive maps for internal mobility and their perceptions of internal career progress. Successful internal mobility outcomes for internal employees *in general* may provide positive information about the possibility of continued internal mobility as their careers develop. In other words, even if an internal candidate is rejected for a given job, if the job is filled by another internal candidate, he or she may still believe that continued performance and commitment to the organization will be rewarded in the future.

External hiring similarly provides the information about future opportunities within the organization. The literature on vacancy chains – or a sequence of moves that a “vacancy” makes from initial entry into a system until final termination (Chase, 1991) – claims that certain job shifts create such opportunity structures (Rosenfeld, 1992; Stewman & Konda, 1983). As workers move from one job to another within the organization, they create vacancies for other internal employees to fill. Although the traditional vacancy chains research suggests that jobs are vertically linked and career progressions rather clear once a vacancy opens, the general

assumptions can be applied to contemporary ILMs as well: filling vacancies with internal hires creates opportunities for the movement of other internal employees, while external hires close opportunities. Filling jobs with external rather than internal candidates may be therefore be particularly demotivating for rejected candidates as they update their cognitive maps for mobility. From a rejected internal candidate's perspective, vacancies filled with external hires may hinder future internal mobility for themselves and other internal candidates more generally.

Hypothesis 1: A rejected internal candidate is more (less) likely to voluntarily exit if an external (internal) candidate is selected.

How Close Was I to Being Hired?

Rejected internal candidates may also interpret how far they progressed in the hiring process to assess their future careers within the organization. The typical hiring process involves multiple stages (e.g., multiple screenings, resume reviews, and interviews), and internal candidates interact with company representatives throughout these stages when they are considered for a new role within the organization (Breugh, 2013). Candidates may therefore be rejected at multiple stages, from the initial screening stages to the stage directly preceding a potential offer. Theories of social exchange (e.g., Blau, 1964) and procedural justice (e.g., Colquitt et al., 2001) are particularly useful for understanding how unsuccessful internal candidates interpret rejection at these different stages.

There are reasons to expect that candidates may react negatively to being rejected at both the early and later stages of the hiring process. On one hand, getting closer to an outcome in a process or competition before rejection may be more disappointing for individuals than if they had simply been rejected earlier in the process or had not “almost won.” For example, social and cognitive psychology studies testing theories of counterfactual thinking have shown that winning

a silver medal is perceived as less satisfying than winning a bronze medal (Medvec, Madey, & Gilovich, 1995). Similarly, individuals who miss their plane by five minutes are generally more upset than those who miss their plane by thirty minutes (Kahneman & Tversky, 1982). “Coming close” is particularly upsetting because it is easy to imagine the counterfactual – or what might have happened – had the silver medalist swam a little faster or the traveler arrived slightly earlier. Those who come closer to winning but finish second focus more on the fact that they lost and should have won than on the fact that they almost won – and are ultimately less satisfied with the final result (Medvec et al., 1995).

These findings suggest that getting further in the hiring process (i.e., going through multiple rounds of interviews and then being rejected closer to when an offer would be made) may be especially upsetting for candidates who have applied to jobs and are unsuccessful. In fact, Fernandez-Mateo and Coh (2015) found that rejected external executive candidates experienced more negative affect and were less likely to engage in future interactions following rejection at a later stage in the hiring process than if they were rejected early. This is especially likely in the external market; as candidates progress through the hiring process, they become more invested in being selected for the position and the possibility of starting in a new organization (i.e. Fernandez-Mateo & Coh, 2015). If rejected later in the process, candidates may feel as if the organization “dragged them along.” Prolonged rejection may provide information that the organization does not value them or their desire to find employment elsewhere in a timely manner, and external candidates are likely to feel as though they have wasted their time if rejected later rather than sooner.

We expect these dynamics to play out differently within the firm, however, as getting further in the hiring process before rejection may provide information that is interpreted

differently by internal candidates. Unlike external candidates who might have little or no prior relationship with the organization, internal candidates have established patterns of exchange with their firms. According to social exchange theory, the relationships between organizations and their employees evolve over time through multiple interactions under certain norms (Blau, 1964). These relationships continue to develop when both parties engage in “advantageous and fair” transactions and behaviors that show they value their exchange with the other (Cropanzano & Mitchell, 2005). For example, a high-performing internal employee who values his company may choose to apply for another job within that company. If this internal candidate gets further in the hiring process before he is rejected, this might provide information that his application was seriously considered by the organization – information that high performance and commitment is valued and reciprocated with due consideration when internal candidates apply to new jobs.

More specifically, if candidates make it far enough in the hiring process that they are able to interview with hiring managers, they should not only feel that their application was taken seriously, but that someone involved in the hiring process took the time to meet with and consider them fully. Because internal employees are more invested in their companies than external candidates and perhaps more aware of selection processes (i.e., Truxillo, Bauer, & McCarthy, 2015), they may hold perceptions that scheduling interviews with internal candidates is simple and fair. In line with the literature on procedural justice – or the fairness of the process by which a decision is made (Colquitt et al., 2001; Cropanzano, Prehar, & Chen, 2002; Konovsky, 2000) – meeting face-to-face with candidates (rather than only interviewing over the phone or rejecting them in the initial stages of the hiring process) likely indicates that more accurate information was available and used to make a hiring decision. Moreover, a thorough review and rejection at a later stage could suggest that the rejected candidate was well-qualified

from the organization's perspective (i.e., Markman & Tetlock, 2000). Such information likely causes unsuccessful internal candidates to update their cognitive maps and think positively about their future advancement to additional internal roles despite rejection.

We therefore suggest that unsuccessful internal candidates are more likely to perceive paths for future mobility when they are rejected at later (as opposed to earlier) stages in the hiring process. Internal candidates who have established relationships with their organizations are less likely to feel that the organization wasted their time and more likely to feel like they were given a legitimate and fair chance of being selected. Getting further in the process may therefore also provide information that, although rejected for this position, they were strong candidates with the potential for future internal mobility opportunities. Internal candidates rejected earlier in the hiring process, on the other hand, may not perceive the same potential for their careers, and may choose to leave.

Hypothesis 2: A rejected internal candidate is more (less) likely to voluntarily exit if they are rejected earlier (later) in the hiring process.

What Were My Expectations of Being Hired?

Whereas the two previous sources of information more directly involve the job posting process specific to each candidate, rejected internal candidates may also gain information about their future careers by considering how likely they were to get the job in the first place. If candidates expect that they are more likely to be selected for a position, rejection may not only disrupt current expectations but may also affect expectations for future internal mobility. In other words, candidates rejected for a position they perceived they were likely to be hired for might then perceive an even lower chance of future moves into positions for which they have equal or lower expectations of being hired. Although internal candidates may form expectations

based on many different sources of fit and information for a given job, we focus on four sources in particular: (a) how similar the job is to their current job, (b) whether the job is an advancement or a transfer, (c) demographic similarity with the current incumbents in the job, and (d) amount of competition for the job. Drawing on insights from expectancy violations theory, we suggest that internal candidates use these four pieces of information when developing expectations for how likely they are to be hired for a position and updating their cognitive maps for future internal mobility following rejection.

According to Burgoon (1978), expectancy violation broadly refers to when an individual anticipates what will happen in a given situation and expectations of outcomes are not met. Individuals then shift their attention to the meaning of the violation and why the violation occurred. In the context of internal hiring, candidates may experience expectancy violations when rejected for jobs they believe they are more likely to be hired for, while rejection for jobs they believe they are less likely to be hired for has less of an effect. When rejected for jobs that they feel they are more likely to be hired for, like jobs that are similar to their current job or jobs for which they “fit,” candidates may perceive less chance of future mobility into jobs that are equally or potentially less similar. This may result in voluntary exit from the organization.

Job applicants often form perceptions about their fit with particular jobs and organizations during the recruiting process (Cable & Judge, 1994, 1996). Although internal candidates applying to new jobs likely feel that they are a good fit with their organization, they may still assess whether their abilities are congruent with those required for the demands of the new job. One way internal candidates may assess their demands-abilities fit with new jobs within the organization is by comparing the demands of such jobs with those of their current jobs. If jobs are relatively similar in terms of required skills and competencies, internal candidates

likely perceive greater congruence and fit and may develop stronger expectations that they will be selected for such positions. Unsuccessful internal candidates who have demonstrated that they possess the skills and competencies to successfully work in certain jobs may experience expectancy violations following rejection and, again, perceive much less chance of mobility into equally similar or more dissimilar jobs within the organization in the future.

Hypothesis 3a: A rejected internal candidate is more (less) likely to voluntarily exit if rejected for a job that is similar to (different from) their current job (controlling for performance).

Similarly, while internal moves such as promotions or expansions involve an increase in job responsibilities, transfers are more akin to lateral moves with equivalent levels of responsibility but in different functions or departments. Internal candidates can therefore form similar perceptions of fit and expectations of being hired based on whether they are applying for advancements (i.e., promotions or expansions) or transfers. Assuming that internal candidates have higher expectations of being selected for transfers rather than promotions or expansions, rejection for such positions results in an expectancy violation. Additionally, if internal candidates are rejected for transfers into jobs with comparable levels of responsibilities, rejection may signal that future mobility into jobs with equal or greater responsibility is less of a possibility as well, which may result in voluntary turnover.

Hypothesis 3b: A rejected internal candidate is more (less) likely to voluntarily exit if rejected for a job that is a transfer (advancement) (controlling for performance).

Although previous fit literature has demonstrated that demographic fit may be less important for fit perceptions than, for example, demands-abilities fit or value congruence (Saks & Ashforth, 1997, 2002), demographic attributes may still be powerful determinants of similarity

and fit perceptions (Jackson et al., 1991). Again, this may be especially true for internal candidates who already perceive strong fit with their organization but are looking to move into new jobs. While internal candidates who are the same gender and race as the majority of incumbents currently working in the jobs they are applying to may therefore perceive greater organizational fit perceptions, their expectations of being hired for a specific job may be enhanced due to the organization's prior decisions to select employees who are demographically similar for such roles (i.e., O'Mahony & Bechky, 2006). For example, if a female candidate recognizes that the job she is applying to is mainly occupied by other female workers, she may expect the organization to be more likely to continue hiring female workers like herself. If rejected for a job she seems an ideal demographic fit for, however, her expectations are not met. She may interpret her chances of moving into other female-dominated jobs in the future as slim and movement into male-dominated jobs even less likely, leading her to leave the organization. Conversely, if she applies to a job that is made up of a relatively equal number of male and female incumbents, she likely will not have strong expectations of getting the job based on demographic fit. She may therefore be less likely to experience an expectancy violation and less likely to interpret rejection as negative for her future internal mobility.

Hypothesis 3c: A rejected internal candidate is more (less) likely to voluntarily exit if rejected for a job dominated by workers of the same (different) gender or minority status.

Finally, in addition to various degrees of fit, rejected internal candidates may consider whether the job they applied to was more or less competitive when interpreting rejection information. As mentioned above, internal mobility acts as an incentive to motivate workers, but workers are even more motivated to compete if there are few competitors (Chan, 1996). This is because there is a greater probability of winning the competition, and internal candidates'

incentive to exert effort and compete comes with the expectation that they have a stronger chance of being selected when applying alongside few competitors. A greater number of competitors, however, reduces expectations of being hired. If internal candidates are rejected for positions for which there are few competitors, their initial expectations about their chances of being selected are violated, while rejection for more competitive jobs is potentially anticipated. Rejection from these less competitive jobs may signal that rejected internal candidate have fewer opportunities for future internal mobility, particularly for jobs that are more competitive, and they may therefore be more likely to leave.

Hypothesis 3d: A rejected internal candidate is more (less) likely to voluntarily exit if rejected for a job that has less (more) competition.

DATA

We test these hypotheses using two data sources from a large US health services company which we call HealthCo. The first source contains information on each unsuccessful internal application submitted to an internal job posting (or requisition) in 2012. This data includes information on the job applied for, information on the “winning” candidates (those candidates who were selected), and information on how far in the hiring process the candidate progressed before rejection. The second source consists of annual personnel records of the internal candidates and includes detailed demographic, pay, and performance information. Rejected internal candidates represent employees at all levels of HealthCo.

We examine rejected internal candidates who applied to one job posting and those job postings for which there was only one winner. Although candidates may submit more than one application to more than one job using HealthCo’s job posting system, it is not clear that internal candidates who apply to one job in a year (11% of all job postings) respond to rejection in the

same way as those who apply to more than one at different points throughout the year or choose to submit multiple applications for many jobs at once. In both cases, it is difficult to disentangle how their experiences across applications – and rejections – affect their decision to exit.

Similarly, although some jobs may be filled with multiple hires, rejected internal candidates may be most able to think about their prospects for future mobility when jobs have only one winner (81% of all requisitions). This is particularly true for tests of our first hypothesis. Limiting the data to rejected internal candidates who applied for only one position in 2012 and single-hire requisitions leaves a sample of 2,370 rejected internal candidates. The full dataset includes one row per rejected internal candidate, matched with data on the hired candidate and data on the specific job posting, explained in more detail below.

Internal Candidate Variables

Voluntary exit. Voluntary exit is the dependent variable in all models presented. We observe whether they chose to leave HealthCo in 2013.¹ Voluntary exit is coded as 1 if rejected internal candidates voluntarily exited HealthCo within this time period and 0 if rejected candidates did not voluntarily exit the organization during this time.²

Internal winner. We use the application records to determine whether the hired candidate was an internal or external candidate. Hires who are internal candidates are coded 1, while hires who are external candidates are coded 0.

Rejection stage. HealthCo's application records also give us information on how far each candidate progressed in the hiring process before being rejected. There are six stages in the hiring process at HealthCo from the candidate's perspective: a pre-screening of applicants, an

¹ This time frame was chosen so that internal candidates would have adequate time to process being rejected and their potential for future mobility, consider alternative options outside of the organization should they perceive less

² The data on turnover for this organization is collected in such a way that we are able to distinguish between voluntary and involuntary turnover from the company's personnel records.

initial HR phone interview, a hiring manager interview, the offer (should candidates be selected), a post-offer stage (for background checks, etc.), and a final hiring stage. Candidates' last steps before rejection are recorded in the application records based on these six stages. Although successful candidates would experience all six stages, rejected candidates are not given offers. They therefore only experience three stages in the hiring process: the pre-screen, the HR phone interview, and the hiring manager interview.

Although we could code rejection stage as three separate stages (e.g., 0 = pre-screen, 1 = HR phone interview, 2 = hiring manager interview), we chose to code rejection stage as a dichotomous variable (where 0 = pre-screen or HR phone interview and 1 = hiring manager interview). As we argue above, rejected internal candidates are most likely to feel their application was considered fully and perceive the most potential for future mobility if someone involved in the hiring process takes the time to meet with them. While candidates speak with a representative from HR during the phone interview, the hiring manager decides who should fill the job and is an important interview from the candidate's perspective (Breugh, 2013). We therefore believe coding rejection stage as a dichotomous variable is most conceptually appropriate.

Job Posting Variables

Job similarity. Because we are able to match the data on each job posting to each rejected candidate and his or her personnel records, we are able to identify how similar an candidate's current job was to the job they applied to. Each job at HealthCo is assigned a unique combination of eight competencies against which employees' performance is evaluated. We are able to compare the competencies of each job, and calculate the number of overlapping competencies for candidates' current jobs and the jobs for which they were rejected. From this,

we grouped the number of overlapping competencies to create a job similarity variable that is consistent with how employees at HealthCo view similarities between jobs. This variable is coded 0 if the job candidates were rejected for is much less similar to their current job (0 to 4 overlapping competencies), coded 1 if the job they were rejected for is more similar to their current job (5 to 7 overlapping competencies), and coded 2 if the job they applied to has 8 competencies overlapping with their current job – essentially an identical job in terms of necessary competencies as defined by the organization. Competencies are listed in the job descriptions at HealthCo, allowing candidates to make comparisons between the competencies of their current job and those of the job they choose to apply to.

Advancement. An attempted move (i.e., an internal candidates's attempt to move from their current job to another job within the organization) is defined as an advancement if the move would have resulted in a promotion or expansion. We group promotions and expansions together as advancements to more accurately describe how employees and managers think about advancement within HealthCo as well as other contemporary ILMs. Though a promotion involves an advancement upward in the hierarchy, an expansion is a move to a job in the same hierarchical level but with substantially more responsibility and an increase in salary. An attempted transfer, on the other hand, occurs when an internal candidate applies for a similar job in a different department or function but does not include an increase in responsibility or an increase in pay. Advancement is coded 1 if the attempted move was a promotion or expansion and coded 0 if the attempted move was a transfer.

Incumbent gender and minority profile. By incumbent gender and minority profile, we mean the percentage of female and percentage of minority (non-White) incumbent employees working in the jobs internal candidates applied to. Because candidates applied to these jobs in

2012, we use the percentage of female and percentage of minority incumbents from the year 2011, as employees may be most likely to consider the proportion of women and minority members in a given job in the full year preceding their application when assessing the likelihood that they will be hired. This is consistent with our argument that internal employees update their cognitive maps for mobility based on the organizations past hiring decisions.

Competition. From the internal applicant records, we are able to calculate how many candidates (both internal and external) applied and were rejected for a specific job posting alongside the rejected internal candidates. Though it is unlikely that rejected candidates would be aware of how many external candidates apply, they are likely aware of how many other internal candidates apply for jobs. Our measure of internal competition is thus the total number of internal applications for each job posting. In the models testing this variable, we control for total number of applicants for each posting as well (total number of internal and external), as doing so is more indicative of the actual level of competition for each job posting.

Control Variables

From the personnel records we control for a number of variables that are likely to be associated with turnover. We specifically control for demographic variables such as rejected candidates' *gender* and racial *minority* status, along with their most recent *performance rating*, current *job level*, and *salary*. Although HealthCo does not record years of education or highest degree completed, we are able to calculate *firm tenure* based on their initial hire date. We also include controls for *unemployment rate* in rejected candidates' individual counties in 2012 as well as the *average rate of turnover* for candidates' current jobs at the time of application.

Additionally, because previous research shows that rejected candidates' perceptions of similarity with the selected candidate may affect their responses to rejection (e.g., Schaubroeck

& Lam, 2004), we created variables indicating whether the rejected and selected candidate were the *same gender* and the *same ethnicity*. Though we do not include job-related similarity variables, which would only apply for requisitions where another internal candidate is hired, we explore these effects in supplementary analyses.

METHOD AND RESULTS

Given that the dependent variable voluntary exit is binary, we use logistic regression to test our hypotheses and interpret the results in odds ratios. We are most interested in whether the different information sources gained from rejection are associated with voluntary turnover in the year following rejection, rather than the amount of time before rejected internal candidates leave or which pieces of information gained from rejection predict earlier or later voluntary turnover. Additionally, because of the way this organization documents voluntary exit for employees, we have complete information on internal candidates' exit years and exit months. This creates more overlapping "ties," or a large number of events that overlap at particular intervals. We do not have complete information on their specific exit dates, which are ideal for methods such as Cox regression (Allison, 2010; Singer & Willett, 2003). For these reasons, we believe logistic regression is better suited for our analyses than survival analysis.³

Table 1 displays the descriptive statistics for the key variables used in the analyses. Some key takeaways are that jobs were filled with internal candidates for over 70% of job postings, only about 21% of internal candidates were interviewed by hiring managers, and over 85% of candidates were applying for advancements rather than transfers. The models for all hypotheses are presented in Table 2. Model 1 includes all control variables that may affect voluntary exit in addition to our hypothesized variables. The odds ratios for tenure and

³ In general, however, logistic regression and survival analysis (using exit months rather than exact exit dates) yielded similar results in terms of effect significance. Analyses available upon request.

performance rating are below 1.00 ($p < .001$ and $p < .10$, respectively), indicating that candidates who have been with the organization longer and those with higher performance ratings are generally less likely to leave following rejection.

Table 1. Means, standard deviations, and correlations among main study variables

VARIABLES	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1. Voluntary exit	0.09	0.29	1.00																	
2. Female loser	0.72	0.45	0.01	1.00																
3. Minority loser	0.32	0.47	0.05	0.05	1.00															
4. Tenure (ln)	1.77	0.67	-0.15	0.10	-0.09	1.00														
5. Salary (ln)	10.80	0.41	-0.07	-0.13	-0.22	0.26	1.00													
6. Recent performance rating	2.46	0.54	-0.12	0.01	-0.08	0.38	0.20	1.00												
7. County unemployment rate	7.64	0.86	-0.02	-0.06	0.16	-0.07	-0.01	0.04	1.00											
8. Average exit rate by job	8.89	4.85	0.11	0.03	0.17	-0.28	-0.38	-0.13	-0.05	1.00										
9. Same gender	0.65	0.48	0.03	0.33	0.02	-0.01	-0.02	-0.03	-0.04	0.02	1.00									
10. Same ethnicity	0.61	0.49	-0.03	-0.03	-0.45	0.09	0.12	0.08	-0.05	-0.11	-0.02	1.00								
11. Internal winner	0.72	0.45	-0.07	0.00	-0.14	0.11	0.00	0.06	-0.05	-0.11	-0.00	0.02	1.00							
12. Hiring manager interview	0.21	0.41	-0.06	-0.03	-0.10	0.02	0.04	0.04	-0.06	-0.05	0.02	0.06	0.11	1.00						
13. Job similarity	0.65	0.70	0.05	0.06	0.02	-0.11	-0.06	-0.09	-0.01	0.05	0.05	-0.02	-0.12	0.09	1.00					
14. Advancement (v. transfer)	0.87	0.34	-0.08	-0.03	0.01	0.10	-0.06	0.07	0.03	-0.02	-0.05	-0.03	0.11	-0.06	-0.75	1.00				
15. Gender profile (% female)	69.97	18.89	0.01	0.30	0.08	-0.08	-0.39	-0.11	-0.09	0.18	0.09	-0.07	-0.04	-0.01	0.14	-0.08	1.00			
16. Minority profile (% minority)	29.30	15.99	0.03	0.04	0.22	-0.18	-0.34	-0.09	0.03	0.23	-0.02	-0.16	-0.16	-0.04	0.19	-0.09	0.23	1.00		
17. # Internal applicants (ln)	2.36	0.97	-0.04	0.04	-0.04	0.07	-0.19	-0.03	0.11	0.00	-0.01	-0.08	0.37	-0.06	-0.11	0.14	0.07	-0.06	1.00	
18. # Total applicants	3.60	1.08	0.03	0.03	0.13	-0.09	-0.09	-0.11	0.15	0.14	0.04	-0.11	-0.31	-0.21	0.02	0.02	0.13	0.12	0.44	1.00

Table 2. Odds of voluntary turnover in the year following a rejection

VARIABLES	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Female loser	0.826 (0.143)	0.834 (0.144)	0.819 (0.142)	0.819 (0.143)	0.813 (0.142)	0.396 (0.250)	0.967 (0.183)	0.833 (0.145)
Minority loser	1.263 (0.238)	1.194 (0.228)	1.220 (0.230)	1.246 (0.235)	1.253 (0.236)	1.297 (0.254)	1.708 (0.634)	1.184 (0.229)
Tenure (ln)	0.646** (0.0972)	0.651** (0.0974)	0.643** (0.0976)	0.654** (0.0986)	0.658** (0.0991)	0.593*** (0.0938)	0.577*** (0.0919)	0.664** (0.0999)
Salary (ln)	0.801 (0.268)	0.785 (0.265)	0.785 (0.261)	0.778 (0.257)	0.803 (0.271)	0.747 (0.288)	0.861 (0.338)	0.753 (0.252)
Recent performance rating	0.703* (0.103)	0.714* (0.104)	0.713* (0.104)	0.714* (0.105)	0.713* (0.105)	0.695* (0.105)	0.701* (0.107)	0.703* (0.102)
County unemployment rate	0.852+ (0.0797)	0.846+ (0.0783)	0.843+ (0.0790)	0.855+ (0.0800)	0.856+ (0.0807)	0.912 (0.0901)	0.917 (0.0894)	0.863 (0.0816)
Average exit rate by job	1.060*** (0.0162)	1.056*** (0.0162)	1.059*** (0.0163)	1.058*** (0.0161)	1.059*** (0.0162)	1.046** (0.0170)	1.050** (0.0173)	1.056*** (0.0160)
Same gender	1.297 (0.215)	1.286 (0.213)	1.313 (0.218)	1.288 (0.215)	1.288 (0.215)	1.219 (0.221)	1.310 (0.231)	1.283 (0.213)
Same ethnicity	1.058 (0.189)	1.032 (0.183)	1.056 (0.187)	1.032 (0.185)	1.047 (0.187)	1.011 (0.189)	1.015 (0.190)	1.025 (0.184)
Internal winner		0.687* (0.106)						
Hiring manager interview			0.581* (0.123)					
Similar job				0.804 (0.136)				
Same job				1.505* (0.309)				
Advancement (v. transfer)					0.595** (0.113)			
% Female						0.987+ (0.00674)		
Female loser x % Female						1.014 (0.00930)		
% Minority							0.997 (0.00682)	
Minority loser x % Minority							0.992 (0.00967)	
# Internal applicants (ln)								0.840* (0.0746)
# Total applicants (ln)								1.081 (0.0832)
Constant	22.83 (91.56)	41.54 (168.6)	33.79 (135.4)	29.99 (118.8)	31.42 (127.6)	113.9 (531.7)	9.696 (45.03)	46.84 (187.7)
Observations	2,370	2,370	2,370	2,370	2,370	2,245	2,245	2,370

Note: Controls for losers' current job level included but not shown

Robust standard errors in parentheses

*** p<0.001, ** p<0.01, * p<0.05, + p<0.10

We argued in Hypothesis 1 that rejected internal candidates would be more likely to voluntarily exit if an external candidate is hired and less likely to voluntarily exit if an internal candidate is hired. We find support for this hypothesis. The odds ratio for internal winner in Model 2 is significant ($p < 0.05$); the odds of voluntary turnover decrease by a factor of 0.69 (or roughly 30%) if the organization hires another internal candidate. Alternatively, the odds of rejected candidate turnover increase by a factor of 1.46 when an external candidate is hired.

We argued in Hypothesis 2 that unsuccessful internal candidates would be more likely to voluntarily exit if rejected earlier in the hiring process and less likely to voluntarily exit if rejected later in the hiring process. In other words, we argue that candidates are less likely to leave if they are interviewed by a hiring manager, which is the furthest stage in the hiring process a candidate can progress before being offered a job. As shown in Model 3, the odds ratio for hiring manager interview is significant ($p < 0.05$); the odds of turnover decrease by a factor of 0.58 (or roughly 42%) if candidates get as far as possible in the hiring process before rejection and are interviewed by a hiring manager – someone involved in the decision process. Stated differently, the odds of turnover increase by a factor of 1.72 if they are rejected at an earlier stage in the hiring process (i.e., after the prescreen or phone interview stage). We therefore find support for Hypothesis 2.

Models 4 through 8 present the results for Hypotheses 3a through 3d – the hypotheses that internal candidates are more likely to voluntarily exit when rejected for a job that they may expect to be more likely to get. We used four different variables to test the individual hypotheses: job similarity, advancement versus transfer, incumbent gender (percent female) and minority (percent minority) profile, and amount of internal competition. In Hypothesis 3a, we argued that internal candidates would be more likely to leave when rejected for a job that was

similar to their current job (in terms of overlapping competencies). The odds ratios for the dummy-coded job similarity variables in Model 4 are non-significant and significant ($p = .20$, $p < .05$, respectively). There is no significant difference in the odds of turnover when internal candidates are rejected for jobs that are quite different (only 0-4 overlapping competencies) as opposed to jobs that are more similar (5-7 overlapping competencies). However, when rejected for jobs that are essentially identical to their current job as opposed to jobs that are quite different (jobs that share 8 competencies as opposed to 0-4 competencies), the odds of turnover increase by a factor of 1.51 (or roughly 51%). Hypothesis 3a was therefore supported.

We argued in Hypothesis 3b that internal candidates are more likely to leave when rejected for a job that is a transfer (as opposed to a job that is an advancement). The odds ratio for advancement in Model 5 is significant ($p < .001$); the odds of turnover decrease by a factor of 0.60 (or roughly 40%) if they are rejected for a job that is an advancement (i.e., a job that is a promotion or expansion from their current job) as opposed to a transfer. The odds of turnover increase by a factor of 1.68 if they are rejected for a job that is considered a transfer. Hypothesis 3b was therefore supported.

Hypothesis 3c argued that internal candidates are more likely to leave when rejected for a job where they match the incumbent profile in terms of gender and minority status. We do not find support for this hypothesis. As shown in Model 6, the odds ratio for the interaction between female candidate and gender profile (percentage of female incumbents in the job they applied to) is not significant ($p = .12$); for every unit (1%) increase in the percent of female workers employed in the requisition job, there appears to be no effect on the odds of female or male candidate turnover. The odds ratio for the minority profile interaction coefficient in Model 7 is also not significant ($p = .45$); there is no effect on the odds of minority candidate turnover for

every unit (1%) increase in the percent of minority workers employed in the requisition job. Neither minority nor non-minority (White) candidates are more or less likely to exit when rejected for a job that is largely dominated by minority workers.

We argued in Hypothesis 3d that internal candidates are more likely to voluntarily exit the organization when they are rejected for a job that has less internal competition. Model 8 includes the odds ratio for the natural log of number of other internal applicants as well as a variable controlling for the natural log of the total number of applicants per job posting. The odds ratio is marginally significant ($p = .05$); for every unit increase in internal competition, the odds of turnover decrease by a factor of 0.84. This indicates that internal candidates may be less likely to leave when rejected for jobs for which there is more internal competition and more likely to leave when rejected for a job that is less competitive. However, because the effect is marginal, we cannot conclusively say Hypothesis 3d is supported.

Robustness Checks and Supplementary Analyses

We ran a number of robustness checks as well as analyses to supplement our original models and tease apart certain effects, including effects for our incumbent profile variables and effects for job-related similarity of rejected and selected candidates for requisitions where another internal candidate was hired.

Candidate performance. We first ran analyses to examine how rejected candidates' performance ratings are associated with voluntary turnover. Although we control for performance ratings in all of our original models, we then interacted each of our key variables with rejected candidate performance to examine whether high- versus low-performing candidates are more likely to voluntarily exit following a rejection. Hiring managers may reject low-performing candidates as a way to signal that they are not likely to advance and, in doing so,

encourage functional turnover to benefit the organization. However, given the increased competition across jobs in contemporary ILMs, it is likely that not all rejected candidates are low performers. Some may be particularly high performers that were not selected for specific jobs but that the organization does not want to lose. As shown in Table 3, the majority of the odds ratios for all interactions were not significant, indicating that, at least at HealthCo, low performers are not significantly more likely than high performers to leave after being rejected. Stated differently, high-performers may be just as likely as low performers to voluntarily exit if they are rejected and perceive few opportunities for future internal mobility. This suggests that organizations should not disregard rejected internal candidates as low performers whose exit would be inconsequential. In fact, the effect for the interaction between internal winner and performance rating is significant and in the expected direction ($p < .05$); *high-performing* rejected internal candidates may actually be less likely to exit when an internal candidate is hired and more likely to voluntarily exit when an external candidate is hired.

Table 3. Odds of voluntary turnover in the year following rejection – Robustness checks for employee performance

VARIABLES	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Female loser	0.840 (0.146)	0.817 (0.141)	0.804 (0.141)	0.813 (0.142)	0.035 (0.089)	0.961 (0.183)	0.834 (0.145)
Minority loser	1.187 (0.228)	1.218 (0.230)	1.250 (0.235)	1.253 (0.236)	1.305 (0.256)	0.436 (0.619)	1.171 (0.227)
Tenure (ln)	0.649** (0.096)	0.646** (0.098)	0.659** (0.099)	0.658** (0.099)	0.593*** (0.094)	0.581*** (0.092)	0.662** (0.099)
Salary (ln)	0.818 (0.277)	0.774 (0.258)	0.781 (0.265)	0.803 (0.271)	0.731 (0.279)	0.867 (0.346)	0.777 (0.260)
County unemployment rate	0.844+ (0.078)	0.841+ (0.079)	0.871 (0.082)	0.856+ (0.081)	0.908 (0.090)	0.901 (0.089)	0.861 (0.081)
Average exit rate by job	1.056*** (0.016)	1.059*** (0.016)	1.059*** (0.016)	1.059*** (0.016)	1.046** (0.017)	1.046** (0.017)	1.054*** (0.016)
Same gender	1.269 (0.210)	1.316+ (0.219)	1.319 (0.222)	1.287 (0.215)	1.203 (0.217)	1.321 (0.236)	1.279 (0.212)
Same ethnicity	1.034 (0.185)	1.049 (0.186)	1.053 (0.188)	1.048 (0.187)	0.995 (0.187)	1.026 (0.195)	1.023 (0.184)
Recent performance rating	0.959 (0.202)	0.682* (0.104)	0.714 (0.200)	0.738 (0.217)	0.417 (0.281)	0.727 (0.274)	1.105 (0.367)
Internal winner	2.116 (1.239)						
Internal winner x Recent performance rating	0.612* (0.150)						
Hiring manager interview		0.233 (0.236)					
Hiring manager interview x Recent performance rating		1.468 (0.600)					
Similar job			1.039 (1.271)				
Same job			0.549 (0.387)				
Similar job x Recent performance rating			0.816 (0.420)				
Same job x Recent performance rating			1.010 (0.304)				
Advancement (v. transfer)				0.658 (0.475)			
Advancement x Recent performance rating				0.957 (0.296)			
% Female					0.976 (0.025)		
% Female x Female loser					1.040 (0.037)		
% Female x Female loser x Recent performance rating					0.990 (0.014)		
% Minority						1.018 (0.026)	
% Minority x Minority loser						0.990 (0.036)	
% Minority x Minority loser x Recent performance rating						1.002 (0.016)	
# Other internal applicants (ln)							1.326 (0.404)
# Other internal applicants (ln) x Recent performance rating							0.818 (0.105)
# Total applications (ln)							1.085 (0.083)
Constant	13.674 (56.014)	44.554 (178.424)	34.071 (137.505)	29.253 (119.520)	497.932 (2,500.623)	9.897 (49.536)	11.807 (48.352)
Observations	2,370	2,370	2,370	2,370	2,245	2,245	2,370

Note: Controls for losers' current job level included but not shown

Robust standard errors in parentheses

*** p<0.001, ** p<0.01, * p<0.05, + p<0.10

Attempted transfers versus attempted advancements. In addition to robustness checks for performance, we explored an alternative explanation for our hypothesis related to expectations of being hired for advancements versus transfers (Hypothesis 3b). At HealthCo and many other organizations, advancements and transfers are both considered important ways in which individuals build their careers (i.e., Bidwell & Mollick, 2015). Advancements typically involve an increase in responsibilities and salary; transfers allow employees to move within the same level but gain experience and expand their skills in a new job function or department. Although we argue that internal candidates form different expectations of being hired based on these two types of attempted moves *in general*, it is also possible that they apply for transfers for reasons other than career advancement, such as a conflict with a manager and/or co-workers or a desire for geographic relocation. In these cases, they may be more likely to leave following rejection regardless of the information provided from the hiring process about their potential for future internal mobility. While we cannot directly test this alternative explanation with our data, we reran all original models (excluding Hypothesis 3b) controlling for whether the candidates' attempted moves were advancements or transfers. As shown in Table 4, our original results hold, with the exception of those for our hypothesis related to job similarity. However, because advancements are likely to have far fewer overlapping competencies with rejected candidates' current jobs, it is not surprising that this effect is no longer significant.

Table 4. Odds of voluntary turnover in the year following rejection – Robustness checks for move type

VARIABLES	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Female loser	0.820 (0.144)	0.805 (0.141)	0.818 (0.143)	0.446 (0.283)	0.952 (0.183)	0.818 (0.144)
Minority loser	1.192 (0.227)	1.204 (0.227)	1.247 (0.236)	1.292 (0.253)	1.784 (0.663)	1.184 (0.228)
Tenure (ln)	0.663** (0.0997)	0.656** (0.0997)	0.655** (0.0990)	0.605** (0.0961)	0.586*** (0.0937)	0.675** (0.102)
Salary (ln)	0.789 (0.268)	0.791 (0.266)	0.752 (0.254)	0.747 (0.289)	0.871 (0.345)	0.760 (0.257)
Recent performance rating	0.720* (0.105)	0.723* (0.106)	0.711* (0.105)	0.707* (0.107)	0.719* (0.110)	0.711* (0.104)
County unemployment rate	0.850+ (0.0793)	0.846+ (0.0799)	0.858 (0.0811)	0.914 (0.0910)	0.925 (0.0915)	0.864 (0.0828)
Average exit rate by job	1.055*** (0.0161)	1.058*** (0.0162)	1.059*** (0.0163)	1.046** (0.0170)	1.050** (0.0174)	1.056*** (0.0160)
Same gender	1.279 (0.214)	1.302 (0.219)	1.293 (0.216)	1.222 (0.224)	1.298 (0.232)	1.277 (0.214)
Same ethnicity	1.022 (0.181)	1.045 (0.185)	1.039 (0.187)	0.993 (0.187)	0.996 (0.187)	1.019 (0.183)
Advancement (v. transfer)	0.615* (0.117)	0.569** (0.108)	0.563 (0.520)	0.560** (0.112)	0.530** (0.107)	0.615* (0.116)
Internal winner	0.707* (0.110)					
Hiring manager interview		0.556** (0.119)				
Similar job			0.806 (0.136)			
Same job			0.853 (0.801)			
% Female				0.986* (0.00683)		
Female loser x % Female				1.013 (0.00940)		
% Minority					0.995 (0.00691)	
Minority loser x % Minority					0.991 (0.00964)	
# Internal applicants (ln)						0.857+ (0.0759)
# Total applicants (ln)						1.079 (0.0833)
Constant	53.38 (219.0)	45.75 (185.8)	78.52 (336.1)	170.4 (803.7)	12.81 (60.24)	57.75 (234.1)
Observations	2,370	2,370	2,370	2,245	2,245	2,370

Note: Controls for losers' current job level included but not shown

Robust standard errors in parentheses

*** p<0.001, ** p<0.01, * p<0.05, + p<0.1

Demographic characteristics of the winning candidate. Although we argued that being rejected for a job with a larger number of similar-gender and similar-minority status incumbents would be associated with voluntary exit, we do not find support for this hypothesis while controlling for whether the winning candidate was the same gender or same ethnicity. However, because we suggested that internal candidates who “matched” the incumbent pool of the job they applied to would experience expectancy violations following rejection for said job, we also wanted to examine whether the gender and minority status of the *winning* candidate affected turnover. To explore this, we first ran analyses including all requisitions for which a female candidate was hired and all requisitions for which a male was hired. We then repeated these analyses including all requisitions for which a minority (non-White) candidate was hired and all requisitions for which a non-minority (White) candidate was hired.

Model 1 of Table 5 shows the odds of voluntary turnover when a female candidate is hired. The odds ratio for the interaction between female rejected candidate and gender profile (percentage of female workers in the job applied to) is non-significant ($p = .63$); for every unit (1%) increase in the percent of female workers employed in the requisition job, the odds of turnover do not differ for men and women *when a female candidate is hired*. However, when the a male candidate is hired (as shown in Model 2), the odds ratio for the interaction between female rejected candidate and gender profile is significant ($p < .05$); for every unit (1%) increase in the percent of female workers employed in the requisition job, the odds of turnover for rejected female candidates increase by a factor of 1.03 *when a male candidate is hired*. If a female candidate is hired into a job that is dominated by female workers, rejected male and female candidates are not more or less likely to leave. However, when a male candidate is hired into a female-dominated job, rejected female candidates are more likely to leave.

The odds ratios for the interactions between minority internal candidate and incumbent minority profile (percentage of minority incumbents in the job applied to) are presented in Model 3 and Model 4 of Table 5. Model 3 shows the odds of voluntary turnover when a minority candidate is hired. The odds ratio for the interaction in Model 3 is significant ($p < .05$); for every unit (1%) increase in the percentage of minority workers employed in the requisition job, the odds of turnover for rejected minority candidates decrease by a factor of 0.97 *when a minority candidate is hired*. However, when non-minority (White) candidate is hired as shown in Model 4, the odds ratio for the interaction is not significant ($p = .82$); for every unit (1%) increase in the percentage of minority workers employed in the requisition job, the odds of turnover do not differ for rejected minority and non-minority (White) candidates *when a non-minority (White) candidate is hired*. In other words, if a non-minority (White) candidate is hired for a job that is dominated by minority workers, rejected minority and non-minority (White) candidates are not more or less likely to leave. When a minority candidate is hired, however, rejected minority candidates are less likely to leave. More detailed interpretations of the effects for these interactions are addressed further in the discussion.

Table 5. Odds of voluntary turnover in the year following a rejection – Supplementary results for Hypothesis 3c

VARIABLES	Model 1 Female Hired	Model 2 Male Hired	Model 3 Minority Hired	Model 4 Non-minority Hired
Female loser	0.915 (0.913)	0.110* (0.105)	0.916 (0.298)	0.894 (0.214)
Minority loser	1.255 (0.287)	1.523 (0.517)	3.528* (1.945)	1.188 (0.600)
Tenure (ln)	0.549** (0.105)	0.795 (0.233)	0.649 (0.179)	0.538** (0.102)
Salary (ln)	0.706 (0.373)	0.953 (0.651)	1.454 (0.936)	0.681 (0.351)
Recent performance rating	0.777 (0.141)	0.507* (0.146)	0.594* (0.149)	0.759 (0.147)
County unemployment rate	1.103 (0.131)	0.511*** (0.0915)	1.088 (0.192)	0.814+ (0.0962)
Average exit rate by job	1.049* (0.0203)	1.056 (0.0355)	1.006 (0.0251)	1.074** (0.0250)
Same ethnicity	0.980 (0.213)	1.079 (0.369)		
Same gender			1.783+ (0.549)	1.172 (0.270)
% Female	0.990 (0.0113)	0.979* (0.00950)		
% Female x Female loser	1.007 (0.0138)	1.031* (0.0145)		
% Minority			1.017 (0.0106)	0.985 (0.00974)
% Minority x Minority loser			0.971* (0.0137)	1.003 (0.0153)
Constant	28.82 (184.2)	1,637 (13,592)	0.00407 (0.0273)	686.0 (4,112)
Observations	1,590	623	634	1,583

Note: Controls for losers' current job level included but not shown

Robust standard errors in parentheses

*** p<0.001, ** p<0.01, * p<0.05, + p<0.10

Job-related similarity. Previous research shows that, in addition to gender and race, rejected candidates compare themselves to those selected on a number of work-related factors such as perceived similarities in work experiences and job attitudes (i.e., Schaubroeck & Lam 2004). Following this work, we created several variables from HealthCo's personnel records to test effects for job-related similarity of rejected and selected candidates. These variables include their difference in tenure with HealthCo, whether they came from the same job level, same job function, or same department at the time of application, and whether rejected candidates' last performance ratings were lower or higher than the selected candidates'. Because job-related similarity with the selected candidates only applies to requisitions where another internal candidate was hired, we ran these models using a subsample of rejected internal candidates (1,684 candidates). According to our theory, if a candidate with similar job-related attributes is hired, rejected candidates should perceive a higher chance of future internal mobility following rejection and should therefore be less likely to voluntarily exit the organization. Winners' similar attributes provide information that future mobility and advancement is likely. Shown in Table 6, although we only find a significant effect of same function ($p < .05$), we do find results in the expected direction for most of these variables. When there is less of a difference in tenure between the two candidates and when the winning candidate comes from the same job function or department, rejected candidates are less likely to voluntarily exit. They are also less likely to exit when those selected have lower performance ratings but more likely to leave when hires have higher ratings, suggesting they may gauge mobility potential based on where they stand in the performance distribution.

The lack of significant results, however, may be attributed to unsuccessful candidates not having enough detailed information on selected candidates to make comparisons that ultimately

affect their decision to leave the organization. While previous studies generally assumed that workers within the same job competed for a nearby promotion (i.e., Lam & Schaubroeck, 2000; Schaubroeck & Lam, 2004), employees apply to jobs across the organization in contemporary ILMs. While rejected internal candidates are likely to know who was hired for positions, their knowledge of the winning candidates' backgrounds and work experience may be limited. Additionally, although we argue that rejected candidates interpret similar winner attributes as positive information for their future mobility, we cannot rule out the possibility that they may be engaging in social comparison in some cases and therefore may be more likely to leave (as was true when successful candidates came from the same job level, shown in Model 1; i.e., Garcia, Tor, & Schiff, 2013). Our results differ from past work on comparisons, which shows that greater perceived similarity with the selected candidates results in negative outcomes (e.g. Schaubroeck & Lam, 2004). However, it is possible that these differences are due to self-report perceptions of similarity and outcomes such as perceived envy rather than objective measures of job-related similarity and how rejected internal candidates use this information to think strategically about their careers.

Table 6. Odds of voluntary turnover in the year following a rejection – Supplementary results for loser and winner job-related similarity

VARIABLES	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Female loser	0.802 (0.181)	0.812 (0.184)	0.783 (0.176)	0.807 (0.181)	0.810 (0.183)	0.815 (0.185)
Minority loser	1.251 (0.295)	1.252 (0.295)	1.254 (0.298)	1.239 (0.293)	1.250 (0.295)	1.251 (0.296)
Tenure (ln)	0.569** (0.106)	0.602** (0.117)	0.562** (0.109)	0.577** (0.114)	0.596** (0.116)	0.591** (0.114)
Salary (ln)	1.055 (0.470)	1.084 (0.485)	1.115 (0.503)	1.070 (0.471)	1.053 (0.464)	1.062 (0.471)
Recent performance rating	0.634* (0.117)	0.630* (0.117)	0.642* (0.119)	0.637* (0.119)	0.641* (0.123)	0.647* (0.119)
County unemployment rate	0.937 (0.119)	0.940 (0.118)	0.943 (0.117)	0.942 (0.118)	0.941 (0.118)	0.941 (0.117)
Average exit rate by job	1.049* (0.0210)	1.052* (0.0209)	1.050* (0.0209)	1.050* (0.0208)	1.051* (0.0209)	1.050* (0.0209)
Same gender	1.173 (0.257)	1.182 (0.259)	1.179 (0.258)	1.192 (0.259)	1.183 (0.259)	1.186 (0.259)
Same ethnicity	0.843 (0.189)	0.853 (0.191)	0.845 (0.191)	0.843 (0.189)	0.848 (0.190)	0.848 (0.190)
Difference in tenure (ln)	1.130 (0.143)					
Same job level		1.196 (0.230)				
Same function			0.675* (0.126)			
Same department				0.767 (0.178)		
Lower performance rating than winner					1.038 (0.224)	
Higher performance rating than winner						0.853 (0.237)
Constant	0.966 (5.103)	0.657 (3.503)	0.705 (3.737)	0.945 (4.939)	0.976 (5.108)	0.933 (4.897)
Observations	1,684	1,684	1,684	1,684	1,684	1,684

Note: Controls for losers' current job level included but not shown

Robust standard errors in parentheses

*** p<0.001, ** p<0.01, * p<0.05, + p<0.10

DISCUSSION

Understanding how employees think about their careers and assess their prospects for future mobility is especially important for contemporary ILMs, where there is uncertainty surrounding mobility and rejection is frequent. Although the majority of prior research on rejection has suggested that internal candidates respond similarly to rejection (e.g., with decreased organizational attitudes, increased envy, and perceptions of unfairness), we suggest that internal candidates respond differentially to rejection, in part because employees rely on rejection as a key source of information regarding their potential for future internal mobility. We have argued that rejected internal candidates are more likely to leave when they perceive less chance of future mobility within their firms, and they assess their likelihood of future mobility by considering who was hired, how far they progressed in the hiring process before rejection, and how likely they were to be selected for the job in the first place.

The analyses provide strong support for our first two hypotheses. First, rejected internal candidates are much more likely to stay with their organization when another internal candidate is hired as opposed to when an external candidate is hired. Second, internal candidates who make it to the furthest stage in the hiring process before rejection – and are therefore interviewed by the hiring manager – are much more likely to stay than if they were rejected earlier in the hiring process. The findings suggest that these aspects of the hiring process provide particularly salient information to rejected candidates regarding their potential for future internal mobility opportunities, consistent with our arguments rooted in the literatures on vacancy chains and social exchange. Although firms continue to increase external hiring at all organizational levels (Royal & Althauser, 2003), internal candidates and other internal employees alike may perceive their chances of future advancement blocked when jobs are filled externally and may choose to

leave. Supplementary analyses showed that this is especially true for high-performing internal candidates that the organization does not want to lose, underlining the potential trade-off between increased flexibility and developing high-quality internal talent. Additionally, the effects for rejection stage support the argument that, although external candidates may react negatively to being rejected later in the process (i.e., Fernandez-Mateo & Coh, 2015), internal candidates who are interviewed by a hiring manager are likely to believe they were seriously and fairly considered as strong candidates. They are thus likely to perceive additional future opportunities within the organization.

We find support for most, but not all, of our hypotheses related to expectations. The effects of potential expectancy violations on turnover appear to be stronger if internal candidates form expectations based on attributes of the job rather than on the incumbents in that job. Internal candidates are more likely to leave when rejected for jobs that are a better skill/competency match (jobs that are similar and jobs that are transfers). This suggests that they might perceive lower likelihood of future advancement if they are unable to be selected for jobs for which they already possess the required competencies and therefore presumably “fit.” We also argued that internal candidates might have higher expectations of getting jobs for which there is less internal competition, or jobs for which there is higher probability of being selected. We find marginal support for this hypothesis as well, indicating that rejected candidates may perceive lower likelihood of future mobility when rejected for jobs that have less competition, or jobs for which there was a high chance of being selected. In both cases (skill/competency fit and competition), the findings suggest that rejected internal candidates are probably less likely to expect to advance to jobs that are much more different from their current jobs and much more competitive if they are not selected for jobs that are similar and less competitive.

The results for incumbent gender (percentage of female workers in the job) and minority (percentage of minority workers in the job) profile are more mixed. We do not find support for our hypothesis that internal candidates who “match” the gender and minority composition are more likely to leave when rejected for these positions. However, supplementary analyses revealed that the gender and minority status of the winner does affect likelihood of voluntary exit. Female candidates are *more* likely to leave when rejected for a job that is dominated by female workers specifically when a male candidate is hired, while minority candidates are *less* likely to leave when rejected for a job that is dominated by minority workers if another minority candidate is hired. Therefore, although we argued that internal candidates experience expectancy violations following rejection for certain jobs, this appears to be true more so for the incumbent gender profile than the incumbent minority profile. In other words, rejected female candidates experience expectancy violations and perceive less chance of future mobility if a male candidate is hired for the job, whereas rejected minority candidates perceive other minority members’ mobility as positive for their future mobility. They may be less affected by potential expectancy violations resulting from non-minority (White) candidates being hired.

It is worth noting that rejected internal candidates may be less likely to experience strong expectancy violations based on demographic fit in organizations that have recently increased diversity-related initiatives or where diversity concerns and values are communicated to employees. In cases where employees are told that the organization is looking to diversify jobs that are largely female, for example, the impact of rejection may be reduced for female candidates if a male candidate is hired. However, it is unlikely that internal candidates would not at least form initial expectations of being hired based on their demographic fit. Although previous work shows that targeted recruiting influences perceptions of fit for targeted groups

under certain conditions (see Avery & McKay, 2006), targeted *and* non-targeted applicants' previous workplace experiences shape their interpretation of these recruiting methods and influence perceptions of fit as well (Williamson et al., 2008). Despite efforts to communicate to employees the need for increased diversity in a given job, internal candidates in particular may continue to form expectations of fit based on their cognitive maps constructed by the organizations' prior hiring decisions. That said, when organizations actively engage in diversity-related hiring and promotion methods and continually fill jobs with a diverse set of hires, this also likely sends an additional source of information to internal candidates about their potential for future internal mobility, depending on their demographic attributes.

Finally, although we also ran supplementary analyses testing effects for additional winning-candidate attributes, we did not find consistent results for these models. It is possible that rejected candidates do not have enough job-related information on winners to make strategic comparisons. Where they do, they may also engage in social comparison if they come from the same job function. The effects on voluntary exit may therefore be weaker if rejected candidates experience negative affect from social comparison while simultaneously considering how similarity with the winner could be positive for their future careers in the organization.

This research has three main theoretical contributions. First, this study contributes broadly to the research on careers and career development in contemporary ILMs. We suggest that, in ILMs that lack traditional structures guiding employee advancement, internal candidates use different sources of information to determine whether or not they have future careers within the organization. This has interesting implications for the types of theories used to argue what internal employees "presume" from their organizations. For example, the traditional use of a number of theories such as social exchange might suggest that internal employees feel that their

organizations are obligated to reciprocate hard work and commitment with internal mobility opportunities. We suggest, however, that the underlying assumptions of the literatures on vacancy chains, social exchange, and expectancy violations can be used to explain how internal employees (and rejected internal candidates in particular) use information from the organization's hiring process and decisions to assess whether they have future mobility opportunities in the organization. In other words, these theories help us argue when and why rejected candidates will stay or go based on information regarding their future careers rather than an implicit assumption of what, if anything, the organization owes them. This is consistent with the perspective that employees are now responsible for taking ownership of building their careers (e.g., Cappelli, 2008), rather than ceding control to their employer.

Second, and more specifically, we contribute to the literature on rejection in organizations. Much previous work naturally focuses on outcomes for winning rather than losing candidates given the value to organizations and general access to data on selected candidates. For example, research has identified a number of structural and individual factors that shape who is likely to be hired for certain positions, including personal relationships (e.g., Podolny & Baron, 1997), visibility (e.g., Kalev, 2009), and work experience and developmental assignments (e.g., DeRue & Wellman, 2009; Dragoni et al., 2009), as well as outcomes for winners such as performance and eventual turnover (e.g., Bidwell, 2011). The limited research on rejected candidates, however, generally falls into two categories: (1) outcomes for those who are rejected versus those who are selected and (2) comparisons among rejected candidates. The former category includes studies that examine altered perceptions of procedural and distributive fairness (Ambrose & Cropanzano, 2003) and violations of psychological contracts (Robinson, 1996), as well as changes in organizational attitudes and behaviors following a promotion

decision (Lam & Schaubroeck, 2000; Schwarzwald et al., 1992). The latter includes research on content and framing of rejection letters (e.g., Gilliland et al., 2001), which rejected candidates are more likely to act out against their organizations (e.g., Fine et al., 2016), and how employees sensemake about denied promotions (e.g., Vough & Caza, 2017). While both categories inform rejection research broadly, the latter allows us to explore nuances among rejected candidates and further our understanding of the ways in which rejection shapes organizational phenomena. We complement work in this latter category by arguing that rejected internal candidates interpret information from the hiring process to assess their future internal mobility opportunities. Importantly, our conceptualization of rejection as information is distinct from previous research which suggests that, in general, candidates respond negatively to rejection.

Third, we add to the literatures emphasizing the role of information in market transactions (e.g., Gulati and Gargiulo 1999; Powell et al., 2005; Bidwell and Fernandez-Mateo, 2010; Fernandez-Mateo & Coh, 2015). While many previous studies on hiring do so in the context of market transactions external to the organization, we propose that job posting systems in contemporary ILMs create internal markets with informational characteristics similar to external markets. Interactions between employees and their organizations – including interactions resulting in rejection – have implications for their future transactions and outcomes such as voluntary exit.

As with any single firm study, it is difficult to assess the generalizability of our findings. While it would be ideal to have data from multiple firms, we have detailed applicant and personnel data on internal candidates and candidates' attempted moves (as well as data on both the winning candidates and the specific job postings) that would be challenging to obtain from more than one organization. However, employees in much smaller organizations may think

about internal mobility differently depending on, for example, the transparency of the job posting system or internal mobility practices specific to certain organizations. They may therefore interpret information from rejection differently than we have discussed here. Second, it is likely that internal candidates use many sources of information when evaluating their potential fit with specific jobs and forming expectations of being selected for those jobs. In addition to demands-abilities fit and demographic fit, candidates may form expectations based on posted job descriptions, attributes of more recent hires rather than the majority of incumbents in the year preceding application, and information directly provided to them by hiring managers or other senior co-workers. Third, and relatedly, although we have detailed data from personnel and application records, we do not have survey data that measures rejected candidates' perceptions of future internal mobility or emotional reactions to being rejected. A more comprehensive study of rejection in contemporary ILMs would combine both survey and archival data to more fully understand how internal candidates respond to being rejected and how rejection affects their perceptions of future internal advancement opportunities.

Future research might also consider how internal candidates who apply for multiple jobs over the course of a year respond following multiple rejections and how this shapes their careers within organizations. Without additional data sources, it is difficult to determine which rejections have the greatest impact on rejected candidates, how the cumulative effects of multiple rejections within a given time period might alter their experience throughout each subsequent application process, and how the different information provided from each rejection influences perceptions of future internal mobility (i.e., where an internal candidate was hired following one rejection but an external candidate following a second). This becomes increasingly more challenging when candidates apply for a number of jobs *at once* through their organizations'

posting systems. Future work would ideally track all applications and rejections over an extended period of time and include survey and/or qualitative data to more fully understand rejected candidates' overall experience with rejection.

Another promising avenue for future work would be to explore the overall effect of rejection by comparing rejected candidates to non-applicants. Although candidates do have to apply for certain jobs if they want to be selected, it is possible that the effect of rejection may produce more negative outcomes than if individuals had not applied at all. For example, in one of few studies to consider non-applicants in rejection research, Schwarzwald and colleagues (1992) showed that workers who submitted their candidacy for promotion and were rejected experienced lower commitment and absenteeism compared to non-applicants. Similarly, research in this area could test whether rejected candidates who see other internal candidates being hired or make it further in the hiring process before rejection experience outcomes similar to non-applicants (e.g., lower turnover and potentially fewer changes in job attitudes), while those who see external candidates hired and experience earlier rejection are even more likely to leave when compared to non-applicants. More research on rejected internal candidates versus non-applicants would establish a third category of rejection studies alongside those of rejected versus selected candidates and rejected versus rejected candidates.

Finally, future research might also examine methods for reducing the negative effects of being rejected. Previous research has shown that rejected *external* candidates respond more positively to rejection letters that provide explanations detailing, for example, qualifications of the winner and external conditions that impacted selection such as a hiring freeze (e.g., Gilliland et al., 2001). However, candidates interpreting rejection as information would perhaps also benefit from personal explanations such as where they ranked relative to other internal and

external applicants (i.e., Ployhart, Ryan, & Bennett, 1999) as well as feedback on developing skills or taking on specific assignments to increase chances of selection after reapplication. Interventions designed to encourage internal candidates about their future advancement opportunities within their organizations following one or multiple rejections would also be an interesting opportunity for future work in this area.

This study offers a number of practical implications for hiring managers and organizations alike. Ultimately, the findings highlight the importance of paying close attention to internal candidates who are rejected – and how they are rejected – if organizations want them to stay. For example, organizations might think carefully about which positions they fill with internal versus external candidates from both the firm's and workers' perspectives. While it may be beneficial for organizations to hire externally for specific jobs, high-performing internal candidates may question whether future opportunities will continue to be filled with internal workers. Additionally, it is advantageous for organizations to ensure that high-performing internal candidates are at least interviewed by a hiring manager before they are rejected. Firms have less control over the similarity between employees' current jobs and the jobs they choose applied to (both in terms of competencies and organizational rank) and the amount of competition generated for certain job postings. However, organizations might consider how consistently filling jobs with specific gender or racial minority groups impacts internal candidates' expectations of being selected in the future. Without clear paths for internal advancement and proper communication following rejection, rejected internal candidates interpret these aspects of the hiring process as information for their future careers within their organizations. Often overlooked, the differential effects of rejection may impose sizeable costs on both unsuccessful internal candidates and organizations with rather manageable solutions.

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